

A Work Project, presented as part of the requirements for the Award of a Master Degree in Management from the NOVA – School of Business and Economics.



## **Ensuring a successful family business management succession**

**Joris Desbois (2479)**

A project carried out on the Master in Management, under the supervision of:

Prof. Alexandre Dias da Cunha

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## **Disclaimer**

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## **Preface**

This thesis concludes my Master of Science degree in Management at the Nova School of Business and Economics. This was possible with the help and the consideration of people who I want to acknowledge. First of all, I would like to express my thanks and gratefulness to my supervisor, professor Alexandre Dias da Cunha who has advised and guided me through the work project. Indeed, his advices and knowledge in family business, provided me a real feedback to constantly improve my thesis. I would like to thank also, the Associação de Empresas Familiares and its chief administrative officer, Madam Borges for her time her collaboration and her invaluable help but also the several family businesses that answered to my survey in order to complete this thesis.

## **Abstract**

Succession is the biggest long-term challenge that most family businesses face. Indeed, leaders 'disposition to plan for their succession is frequently the key factor defining whether their family business subsists or stops. The research seeks to find out how to manage successfully the business management succession over main principles. This work project aims at researching the key points relevant to almost all family firms, to have a viable succession transition and positioning the family business as a continuous success and growth. This research paper aiding to raise best practice in a family business succession. This work project emboldens and clarifies succession planning and supports a concrete structure of effective strategies for managing a sustainable and successful family business succession.

**Keywords:** Family business, succession, next-generation leader, key factors, key principles

# Table of Contents

Preface .....	1
Abstract.....	1
1. Introduction .....	3
1.1 Current situation and presentation of the main issue .....	3
1.2 Objective and methodology of the study .....	3
2. Definitions and Models.....	4
2.1 Family business: what makes it unique? .....	4
2.2 Importance of succession: Managing for the long run.....	5
2.3 The succession planning process and the obstacles .....	6
3 Literature review .....	7
3.1 Overview of studies.....	7
3.2 Comparison of relevant study results .....	7
3.3 Research gaps.....	9
4 Ensuring a successful management succession.....	10
4.1 Introduction .....	10
4.2 The success factors that improve the chances of succeeding with succession.....	11
4.3 The management succession .....	13
4.4 The Success factors model .....	16
5 Methodology and analysis of the results .....	17
5.1 Methodology .....	17
5.2 Results .....	19
5.3 Critical evaluation and recommendations .....	23
6 Conclusion.....	24
References .....	25

## **1. Introduction**

### **1.1 Current situation and presentation of the main issue**

According to findings in several studies such as (Handler 1992) or (Handler & Kram 1988), one of the main concerns family firms face is the succession of ownership and management to the next family generation. Indeed, the researchers in the field of family firms agree that succession is the most critical issue. *“We define a family business as one that will be passed on for the family’s next generation to manage and control”*(Ward 1987). The continuity of the business from one generation to the next depends highly on a viable and successful succession planning (Christensen, 1953). Nevertheless, despite the necessity of planning the succession, it is often not done by family firms. The statistics validate that succession process is usually a problematic issue. Indeed, according to (Beckhard & Dyer Jr 1983), 30 percent of the family firms survive from the transfer of power to the second generation and only 10 percent make it to the third generation (Appendix 1). Some researchers have claimed that the responsibility for providing transmission of power lies with the founder or owner (Barnes L & Hershon S 1976). On the contrary, others have questioned the experience of the next generation (Barnes 1988).

### **1.2 Objective and methodology of the study**

The present study develops some guidelines, good practices to follow through diverse findings and researchers’ models in order to proceed methodically to a successful and viable family business succession. The study inspects several spheres of influence on the family and the business. Tests of this model used answers from Portuguese family firm’s top leaders.

The research starts essentially with a literature review. The models, research questions, components, methods and results of pertinent papers will be discussed. The results of this analysis are the key success factors for a succession, exposed in this thesis.

## **2. Definitions and Models**

### **2.1 Family business: what makes it unique?**

In today's society family businesses are omnipresent, they control a huge part of our economy. Family businesses are the dominant form of enterprise in United States, composing around 90% of all business organizations (Beckhard & Gibb Dyer 1983). The importance of family businesses to the world economy cannot be underestimated. They are essential to growth and employment creation through several industries in the world (see Appendix 2). Additionally, the percentage of the family firms in the private sector in the world (see Appendix 3), provides an overview of their worldwide influence and power among the global economy (Appendix 4).

Family businesses are the most common form of business entity in the world established in every sector of the world's economies. Their ownership, management and family structure create a real complexity that demands distinct knowledge and skills in order to understand them and to guide them effectively. Indeed, a family business is defined in terms of three units: the business itself, the family involved to it and the owners. The researchers founded their definition of family business by looking at the three areas of implication in a business. Therefore, it's significant to understand the "Three-Circle Model" (Appendix 5) by Renato Tagiuri and John Davis in 1970s. This model explains in a simple way, the three autonomous overlapping units that contain the family business system. Then, the model is divided in seven groups, with different purposes, dynamics and perspectives. But it is important to notice that the success of the family business systems depends mainly on the support and working of each of these entities (Gersick et al. 1997).

In terms of economic impact, the family businesses are wealth creation for the countries and employment all over the world (see Appendix 6). Wal-Mart, BMW, Ferrero, Fiat, Michelin,

Ikea, Cargill or Peugeot are all influencing the economy in their country by holding a long term perspective. Their approach is mainly focus on a long run vision driven by family values and emotions over the years. The uniqueness comes from the fact that, the family companies took decisions based on “what is good for the family” through emotions but also a professional management and ownership perspectives (see Appendix 7).

Indeed, the family businesses are mostly centred on a long-term strategic position due to their main motivation, succession and legacy for the next generation sometimes across the ages (Appendix 8). Family businesses diverge from traditional companies in that they are owned or controlled by family members and therefore have a huge potential for the family to be involved in or to influence business matters. Because there is an influence of family members, the family firms face many unique and complicated difficulties not found in more traditional businesses (Olson et al. 2003). For some researchers, a huge involvement of family members can lead to an antithetical effective business practices, possibly controlling to corruption and nonrational behavior (Perrow 1967). Among the more important problems facing family businesses, is succession, the transmission of leadership for the purposes of remaining family ownership, which must be addressed in order for the business to survive and be passed on to succeeding generations (Handler 1994).

## **2.2 Importance of succession: Managing for the long run**

Family business is the process of transitioning the management and the ownership of the business to the next generation of family members. Family members usually play a controlling role in both the management succession as well as the ownership succession. Per se, the successful integration and management of the family component will have a significant effect on the success of the succession process, main reason for why a succession planning process is

developed in part four as a tool for the family businesses. The family commitment and cohesion are essential drivers of longevity and sustainability (Pieper & Klein 2007). Others have explored a long-term view (Miller & Le Breton-Miller 2005) but the researches show also that family influence can have negative effects for the business and the family group (Miller et al. 2003). It is important to consider the succession in the family business even if it is a tough and risky challenge and that the incumbent generation don't want to think about their retirement, disability or death (Royer et al. 2008). The succession planning should be a priority in every family business in order to well prepare the next generation. The family roots continuity is so narrowly connected with the long run management of the family business owner through his/her dream, principles, well-being and reputation (Miller & Le Breton-Miller 2005).

### **2.3 The succession planning process and the obstacles**

A plan for succession include an identifiable set of elements to follow in order to successfully managing the transition. The family business succession plan comprises two processes, the management succession process and the ownership succession process. The development of the guidelines for this study concerns exclusively the management transition. Both can be undertaken in the same period or one at a time. According to the studies on the process, it is recommended that the management succession process be accomplished first so that the ownership succession plan reflects and supports the management succession (see Appendix 9). As said by (Harveston et al. 1997) succession planning has three main objectives :

- ✓ To efficiently and fairly allocate assets from older to younger generations (ownership succession)
- ✓ To pass control of the business in a viable way that will guarantee successful business leadership (management succession)
- ✓ To preserve and promote the family harmony

The succession appears as the biggest long-term challenge that most family business face. For the family owners the ability to plan for their succession is habitually the key factor responsible whether their business survives or fails (Institute FB, 2008). The parallel between loved ones and business interests is what makes family business exclusive. Indeed, the challenge here is that the family has an intensely personal stake rooted in generations of family and business history which complicate the succession planning as well (Appendix 10) (Ward 1988). The family business dilemma trying to find a balance between the family demands and the requirements of the business. Moreover, some factors promoting the resistance of the succession planning through “obstacles” and “challenges” and some of them reducing the resistance to the succession (Handler & Kram 1988) (see Appendix 11). The succession planning process plays a critical role in a family business and many obstacles can get in the way (Appendix 12) (Ward 1988).

### **3 Literature review**

#### **3.1 Overview of studies**

This chapter presents the study’s selected research methodology. As shall be seen, the methodology is influenced by the purpose of this study and is based on an assessment of the optimal strategy for responding to the research issues. Consequently, several scholars have significantly developed numerous succession planning models views, beliefs, good practices or key factors. The results are divergent (see Appendix 13).

#### **3.2 Comparison of relevant study results**

Randel S.Carlock & John L. Ward (2001) focused on a transition model from one generation to the next. Based on an empirical qualitative analysis the authors provide a practical and



comprehensive guide to ensuring successful succession through effective strategic planning. They present in their work, easy-to-follow tools and techniques for mastering strategic planning for family firms. The book was created for a new and different family businesses and it is a continuity of the first book of L. Ward “Keeping the family business healthy”. The paper model follows all the components useful for a good succession transition in a simple way, very well explained.

The book of Grant Walsh which seems to be more a short report on the family business succession transition of KPMG enterprise, exposes also an easy-to-follow model of succession, handling the all-important family component into the management succession process and the ownership succession process as well. In this study, the author distinguishes clearly the two scenarios of succession. Compare to the book of Ward, the KPMG paper is much more intended to inexperienced or beginner in the succession process because it is written in a simple way and very well organized, so easy to understand without any background.

On the other hand, Handler (1994) spotlights her paper review by a research on the main issues facing family businesses in the succession such as the role of the founder or the perspective of the next generation. Since it is a research paper, it is a bit theoretical compared to the previous studies much more practical to implement a successful family business succession. But still, Handler cover some fundamental points regarding a viable succession.

Rima Bizri (2016) came up with a qualitative approach of succession. The study is mostly linked to cases study and the succession is explained by drivers and pathways. This research is quiet recent and brings something different to the findings but stays singular owing that the paper was conducted in Lebanon, not in US or Europe like the other discoveries. The other studies are much more based on a quantitative research. Peter S. Davis and Paula D. Harveston developed a process model of succession involving steps undertaken to prepare the family businesses succession and then tested their hypothesis on a sample in order to obtain results

with a regression analysis by generation. The researches examined a multi-generational perspective through individual, the family and the organizational side. The angle that took the authors is different from the other studies, developing the succession plan but still very valuable for the thesis.

Yong Wang, David Watkins, Neil Harris Keith Spicer (2004) are in their paper centre on succession and business performance. It is somehow distinctive from the previous studies. They do a research on family business succession results in the identification of a variety of factors associated to effective transitions. Succession issues and performance are in the study the main concerns by the writers developing an analysis on UK-based SMEs family businesses.

### **3.3 Research gaps**

First of all, through the samples and the studies were selected, there were mostly depending from one approach, one type of Family business or one country only. Therefore, the results of the studies should be approached with caution. Indeed, in order to obtain generalizable results, general model it is recommended that a more diverse sample be selected., which includes family businesses from other middle eastern nations from the study of Rima Bizri (2016) or family businesses from Europe for the research paper of Yong Wang, David Watkins, Neil Harris Keith Spicer (2004).

Moreover, most of the findings regarding the topic of the thesis, deal with the US vision of Family businesses succession process. Then, the researches represents a rarely seen large-scale study of succession planning processes or meanings among family businesses but usually some specific cases and examples like Duh & al. (2009) covering succession solutions specially on the Slovenia market family businesses. The Model and definition of family business succession planning vary a lot across the readings. Finally, the diversity of framework and visions concerning the succession made it difficult to achieve a viable model for the majority of family

businesses. Taking the previous listed research gaps into account, a viable management succession will be addressed in the following just as key factors and determinants of a sustainable transition.

## **4 Ensuring a successful management succession**

### **4.1 Introduction**

Vikram, B. & Kachaner, N (2015) in the BCG Perspectives article from March 25, 2015 declare through their researches that more than 40 percent of family businesses have not sufficiently prepared for succession during the past decade. The results are the following (Appendix 14). Indeed, weakly planned successions are among the biggest value-destroying events for family-owned businesses. The consequences of not plan the succession despite its evident importance can harm the revenues, the market capitalization and the margins. Indeed, BCG across their study in 2014, compare a sample of family businesses that plan and unplan their transition and the results are significant. In terms of growth two years after the event (succession), a difference of 14 percentage points separate family businesses that planned transition and family businesses that unplanned transition. 14% loss of growth for the family firms without succession planning. Moreover, regarding to the market capitalization, two years after the event, 28 percentage points distinct the companies that have chosen to planned transition and those that unplanned transition. – 11% for those that unplanned transition and 17% of market capitalization for the family businesses that planned transition. Finally, concerning the results in the Appendix 14, the EBITDA two years after the succession, increased by 0,5% for the family firms that implemented a succession planning and -3,9% for those that unplanned transition. These differences between family firms choosing to plan or not the succession, translated through these percentages a capital importance to do it.

This is why, this study presents some key factors of a viable management succession across several studies, some advices, good manners and good conducts to prepare effectively the most family businesses in the case of a management transition. Then, the research will be conducted by an explanation of the management succession itself and a conceptual model. Afterwards, a survey in three parts will be distributed to family businesses concerning two hypotheses. **H1: Most of family businesses greatly underestimate the management succession (CEO)** and **H2: Key success factors determine successfully a family business management succession.** Then, the results of the quantitative research should highlight several key success factors, useful and relevant for the future family businesses management succession.

#### **4.2 The success factors that improve the chances of succeeding with succession**

##### **Having a succession planning**

A succession plan is a multidisciplinary process providing a comprehensive and strategic approach to guiding the transition of the family business management succession. It is a roadmap for each family business until the succession process. It is a dynamic document that can change over the time. The succession planning has to be used as a guide to manage the issues of transition and allows the incumbent leader to anticipate and manage changes. It is unique to each leader because one size does not fit all, that means that a succession planning is very personal regarding the needs and the requirements of each family business but fundamental for all.

##### **Start planning early the succession**

Succession preparation should start as soon as possible. Frequently, the first real thoughts about succession are prompted by the death or ill health of the chairman or managing director and lead to serious damage to the business because the succession process was not carefully planned and took place over time and the family end up in the precipitation and has to do thoughtless choices. So it is necessary for the leaders to anticipate early the potential scenarios for how the family business will evolve. Hence the importance of a succession planning.

✓ **Preserving the family's values and vision**

The family businesses that prosper and succeed across generations are those that possess a core vision and philosophy and set of values linked to a sense of community and purpose. Preserving the family business spirit should be an advantage (Michelin, Hermès).

✓ **Fostering the family harmony**

Fostering the family harmony is essential to succeed in succession in order to pursue a sustainable and healthy family business. The succession planning is key to family business harmony.

✓ **Being able to rely on an active advisory board in the succession process**

Selecting the chief executive officer and planning for CEO succession are among the most important responsibilities of a company's board of directors. In perfect circumstances, the succession process will be managed by a successful and trusted incumbent CEO, with a board committee overseeing the process.

✓ **Having the tendency for the successor to take over the leadership**

The successor must take over the leadership and contribute through his involvement to the transfer of power.

✓ **Ensuring agreement and motivation from the successor to continue the business**

Ensuring that the successor wants to lead the family business with real motivations by his own choice.

✓ **Developing the successor's capabilities widely: Establishing a training process**

Setting-up a training process will develop the successor's capabilities in order to better answering to his or her new role. A family business should invest in developing the successor's competencies and grooming her or him for the leadership role. The preparation to the role should happen in stages starting at a young age if it is possible. The training process strongly recommend that potential successors gain experience outside the family business in order to develop their perspective. Once the successor is inside the company, a training process phase could be a transmission of knowledge and a work in pair with the incumbent and the successor.

### ✅ **Doing a smooth transition of power**

The successors can start with a phase of following senior executives and owners to learn about their routines, priorities and ways of operating. The next stage, should be a role of chief operating officer by a management of the operations but still deferring to the incumbent leaders on strategic decisions. Last step would be to lead or own the family business.

### ✅ **Asking the leader to leave but not disappear, becoming councillor**

keeping the incumbent close to the successor, remaining connected to the family business and in the same time to let him go in order to let the role to the successor. Departing leaders should stay available to guide the new leader if he or she needs advices. Asking departing leaders to leave but not disappear while the successor assumes control and builds credibility.

### ✅ **Developing a cross-generational teamwork**

The implementation of inter-generational teamwork is essential to identify possible problems, so they can be discussed and resolved. Usually the problems reappear later on, more complex and more difficult to resolve. It is the reason for why the success or failure of succession frequently reposes on the quality of relations between the incumbent and the next generation.

### ✅ **Having the trust from the stakeholders in successor's abilities and intentions**

Developing enough credibility to obtain the trust from the stakeholders for the successor is important.

These factors ensure an easier and successful management succession for the family business.

In order to understand in a simple way, the management succession and ownership section as well, the (see Appendix 15) shows the different components of Governance structure of family owned, family controlled business.

## **4.3 The management succession**

The succession has to be considered as a process in two parts: The management succession planning and the succession process itself. The succession planning is the process of preparing a family business for a transition in leadership. When the management change occurs due to

unexpected circumstances the succession planning will be helpful for facing to a sudden death of a corporation's Chief Executive Officer for example (CEO). The succession planning allows to the family business, a smooth transfer of power in normal circumstances or when the inevitable happens for top managers such as retirement, career mobility, accident, ill health, termination or death. It is essential to notice that the management succession planning includes evaluating the skills of the next generation in the organization and identifying through the active family members who have the potential to arise to top management roles. The main point of the succession process which is the action of implementing the succession planning partly, appears in grooming a successor through the next generation family members.

The key for a useful succession planning, is to prepare a written succession plan which is a document providing for the continued operation of a family business in the case where the leader or a key member of the management team leaves the firm for several reasons. The changes that will take place as leadership is transferred from one generation to the next. But as explained before, despite the numerous benefits of having a succession plan for family businesses, many of them neglect to develop one. Sometimes because the CEO or business owner does not want to confront his or her own mortality, is reluctant to choose a successor or simply does not have many interests beyond the family business.

This study is a tool for the family businesses and clarify by an easy and simple way the importance and the determinants of an effective transition. Since the succession should be viewed as a process and not just as an event, it is important to identify the four main stages of the succession planning model exposed in this thesis.

### **❖ Step 1: Initiation**

This stage of the succession process is essentially view as an introduction of the top manager function. The possible successors learn about the family business or if it is already the case (as

an active family member) learn more. It is a way for the current CEO or business owner to speak openly about the business itself in order to transmit information, advices and keys points about the FB's values, culture and future direction that will take the next generation.

### **❖ Step 2: Selection**

Defining the successor among top family candidates. Rivalry can appear among possible successors who in the case of FBs are expected to be siblings or cousins. In order to do not face of this difficult situation, many business owners either avoid the issue or make the selection process on the basis of age, gender or trough the merit. In order to facilitate the succession, it is recommended that the current leaders develop specific objectives, goals and missions for the next generation, containing a detailed job description for the successor. Then a candidate be chosen with the best qualifications for the position by the board of directors.

### **❖ Step 3: Education and Training**

After that a probable successor has been selected, the company then proposes the training phase by grooming the successor. Ideally, a program is established through which the successor can meet goals and gradually increase his or her level of responsibility with the help of the incumbent. Indeed, the CEO may want to take a number of planned absences in order to let the successor run the business alone for limited periods. The training phase is used also for the board of directors for evaluating the successor's decision-making processes, the leadership abilities, interpersonal skills and performance under pressure. It is imperative for the next generation CEO to acquire credibility from the stakeholders during this period.

### **❖ Step 4: Transition**

The final stage in the process happens when the CEO retires and the successor officially makes the transition of power to his or her new leadership role. The incumbent can make the transition



smoother for the company by visibly committing to the succession process, leaving in a timely manner, and eliminating his or her attachment in the family businesses' daily activities completely. On the other hand, now the previous top manager should be sure to have a sound financial plan for retirement and to engage in relationships and activities outside of the business.

The succession planning exposed above is defined by the actions and procedures that guide to the transition of leadership from one family member to another. The two family members may be part of the core or extended family business and may or not be part of the same generation. In order to guarantee a viable transition, three components must be present in the family firm: A leader who transmit the leadership role to another family member, a successor who takes over the leadership, and a process by which the succession takes place illustrated above (Barry 1975).

#### **4.4 The Success factors model**

The model is based on success factors that determine a viable management succession in family businesses. As shown in part 4.2, the succession is influenced by key factors according to several findings. The research based on the literature suggests, exposes in the following part the factors determining successfully a family business management succession.



The success factors of a management succession

## 5 Methodology and analysis of the results

### 5.1 Methodology

To test the hypothesis, a survey in three parts was carried out, gathering quantitative data on actual family businesses practices regarding the management succession and on the opinions concerning the success factors essential to a successful transition. The survey was distributed with the assistance of the Portuguese Family Business Association (Associação de Empresas Familiares) to Portuguese Family businesses with the help of professor Dias da Cunha and his contact, Marina de Sá Borges who is the chief administrative officer of this association. The

survey was built according to hypothesis **H1: Most of the family businesses greatly underestimate the management succession (CEO)** and **H2: Some factors are decisive for successfully achieve a management succession in a family business.** As presented in Appendix 16, 17 and 18, the survey is based on three parts. In order to have the maximum responses and obtaining significant results, the survey was conducted in English and in Portuguese and posted on the Portuguese Family Business Association website (appendix 19) and also on the Facebook page (Appendix 20). Also, Madam Borges, sent by emails to the leaders of the family businesses present in the association, the survey in order to gather more qualitative answers. Furthermore, professor Dias da Cunha, supervisor of this thesis was in relation with Nova Executive Education in order to distribute the survey to former participants of “Managing the Family Business” programme. The class included several leaders from family businesses.

The survey starts on general information assessment on management succession practices the incumbent family leader, evaluates his agreement for each statement through the Likert scale model from 1 with “strongly disagree” to 5 with “strongly agree”. These statements should have shown a disinterest or an implication and involvement from the stakeholders concerning the succession process and transition. This part measures how well prepared is the family business for a transition of leaders. Besides, this should validate or not the first hypothesis: Most of the family businesses greatly underestimate the management succession.

Then, the second part of the survey includes several factors which are assessed by the leader of the family company across the Likert scale model where 1 means “not at all likely” and 5 “extremely likely” regarding their success in the management succession. The several factors are evaluated by the family businesses leaders as decisive or not in a viable leadership transition.

The last part of this survey determines according to the majority of the answers, the five key success factors for a successful management succession. The leaders have to choose five essential factors. The results of the leaders' choices will show five main factors determining the largest probability of success in succession according to the opinions of the current leaders of family businesses in Portugal.

This work aims to evaluate the practices of random family businesses in Portugal in terms of management succession and highlight top factors selected by the sample to make the succession easier. As results, some charts will be conducted in order to have an overview of the tendency concerning how the family business is involved in the succession process, mostly strongly invested, neutral or weakly invested. In the same time, the chart will bring key success factors out for the part three, decisive in a successful management succession.

## 5.2 Results

The sample comprises 67 respondents, from leaders of family businesses in Portugal and randomly divided between men and women. Their answers are completely anonymous but come from the Portuguese Family Business Association through mailings, Facebook and the website and also from respondents from the “Managing the family business” executive education course at Nova. The survey aims to reveal the involvement of the family businesses in management succession through the hypothesis 1 (H1): **Most of the family businesses greatly underestimate the management succession** linked to the hypothesis 2 (H2): **Some factors are decisive for successfully achieve a management succession in a family business.** Through the opinion of respondents, family businesses questioned, key success factors have been identified as essential in the transmission of power from a leader to another.

Concerning the first part of this survey, 6 statements were conducted in order to find out the practices of the family businesses questioned regarding the management succession (see Appendix 21). From the first statement: “My family business has an actionable process in place to select new senior executives.”, 32,8% of the leaders are strongly disagree with the fact that their family business has an actionable process in place for the management succession and 23,8% quite disagree also against 10,5% strongly agree. Regarding the second statement, “My company is grooming a specific executive to succeed the current CEO”, many of the leaders questioned are strongly disagree, 32,8% and 31,3% are quiet disagree as well. Only 20,9% of them responded strongly agree or tend to be agree with the statement. **The results of the first and the second statements, underline an absence of concern and interest in succession planning and the fact that the family business is not prepared for an unexpected situation.**

Concerning the sentence “If the current CEO left tomorrow, a family member can take over the leadership”, 46,2% are strongly or quiet disagree that a family member can take over the leadership and pursue the family business if the current CEO left tomorrow. **This reveals a lack of preparation in the succession process for a large part of the leaders questioned.** In the same time when we ask to the leaders how they are agreeing with the following statement “The CEO and executive team are actively involved in succession planning and talented reviews” just 14,9% are strongly agree for 22,3% strongly disagree, **which highlights a carelessness from the stakeholders around the succession planning.** Moreover, when the leaders evaluate their agreement concerning the statement 5 “The board is actively involved in succession planning and talents assessments for the leadership positions.” 64,1% of respondents are strongly disagree or quiet disagree with the fact that the board is involved in the succession process through a succession planning or a talents assessment, **this means again that the stakeholders greatly underestimate the management succession process.** Vis-à-vis the last statement, the tendency is quiet disagree for 29,8% of them whereas another majority, 23,8%

remains neutral on the statement: “There is an adequate pool of potential successor candidates for the CEO position”. Furthermore, the Appendix 22 shows the average by statement of the answers obtained (67). The average is more or less for each statement 2.5 / 5, which is quite weak regarding the importance that represents the succession challenge for each family business.

The results obtained in this first part, expose a depreciation and lightness from the stakeholders of a majority of the family businesses questioned regarding the succession process and its planning in time. In this way, through these initial findings, the hypothesis 1 can be validated by the results operated above: **Most of the family businesses greatly underestimate the management succession.**

The second part of the survey was conducted with 12 factors, evaluated from 1: “not at all likely” to 5: “extremely likely” by the respondents in order to determine if these factors are or not essential to succeed in family business management succession and so, good practices to follow or not. The results are summarized in Appendix 23 by the average of the answers for each factor identified. The leaders are 4.27\5 in average to recommend the presence in the family business of a succession planning. Likewise, a majority would recommend to start the succession process early which is linked with the succession planning. The third factor presented “Fostering family harmony”, has obtained 4.46\5 which is one of the highest average in the range. In the same time, “Preserving the family’s values & vision” has achieved a high score also with 4.43\5, it seems to be important for the leaders in the succession process. “Doing a smooth transfer of power” and “developing a cross generational team work” appear essential for the respondents to succeed in management succession, both factors have been highly graduated. However, “Being able to rely on an active advisory board in the succession process” is not a priority for the family businesses in the procedure of transfer of power. Then, “Asking the leader to leave but not disappear, becoming councillor” remains an important factor with

4.29/5. For the leaders, “Having the trust from the stakeholders in successor’s abilities and intentions” appears as indispensable in succession, with the highest average, 4.47/5. Factors 10 and 11, “Having the tendency for the successor to take over the leadership” and “Establishing a training program for the successor”, are neglected in the opinion general of the family businesses questioned. Finally, the 12th factor “Ensuring agreement and motivation from the successor to continue the business”, distinguish itself from other factors with a very high average (4.43/5).

The results obtained in this second part of the survey, reveal that almost all these factors are necessary to succeed in management succession, there is not a big difference between each other even if the factor “Being able to rely on an active advisory board in the succession process” attained a lower score. The choice of the factors corresponding to a successful succession, can be applied to a large majority of family firms but also remains something personal according to the needs and expectations from the stakeholders.

The last part of the survey, was directed by a multiple choice of the factors listed in part 2. The respondents have to choose and select only five factors among the 12 presented in the list. They have chosen the five that are essential for them to succeed in a management family business succession. The 67 answers have been analysed and illustrated by a chart, Appendix 24. The objective of selecting only 5 factors were to put forward key success factors for the majority of family businesses questioned and thus draw the conclusion that it is essential to drive the succession by following these 5 factors at least, highlighted by incumbents for future leaders. As expected by the second hypothesis (H2): **Some factors are decisive for successfully achieve a management succession in a family business**, the chart shows five distinct factors encircled in red.

Each factor on the chart is assessed on 100% corresponding to the 67 answers. For instance, the first key success factor determining a successful family business management succession

appears on the chart with 77%. Indeed, 77% of the respondents have selected “Having a succession planning” in their choices among the five factors asked. Then, 65,5% of the respondents would define, “Starting the succession process early” as a main factor just as much “Fostering family harmony” for 67,2% of them. “Preserving the family’s values & vision” remains a fundamental factor for the family businesses in terms of succession process. Finally, they selected for 57,3% of them, “Doing a smooth transfer of power” as a key success factor also. The chart (Appendix 24) shows clearly 5 distinctive factors, called by this study, the key success factors necessary to a successful and viable family business management succession. These results, interpret the choices of the leaders questioned through their experiences and their personal opinions. **The choice of these 5 factors is not anodyne, but reveals as indicated by some authors and studies the necessity to start as soon as possible the succession process with a clear succession planning thought by all the stakeholders. These results also underline the importance of family unity in the succession process and the transmission of values through generations of leaders and the fact to execute the process with a real accompaniment and a smooth transfer of power.**

### **5.3 Critical evaluation and recommendations**

If the thesis had to redo today, several points would improve. Firstly, it would mean, working less with the literature review too much focus on the theoretical points of view and functioning more with the family businesses directly in order to conduct a work project on practices into these companies nowadays and not apply some findings from the books to these family businesses. Moreover, it could be interesting to compare two or more countries concerning the family businesses succession practices in order to have an overview of the best practices in Europe for example. Finally, it would be better for future students wanting to work on such



family business topics, to work directly with a family business association to collect and interpret data from the best of ways.

## 6 Conclusion

This paper has defined and evaluated a succession planning model and described some good practices and key success factors in the context of managing a viable and successful family business management succession. The work project, focuses on researching the key points relevant to almost all family firms, to have a viable succession transition and positioning the family business as a continuous success and growth. The study has shown through a survey, the succession leadership practices of 67 family businesses questioned in Portugal and highlight from the respondents, some key success factors essential and necessary in order to pursue the business among the family. The results have permitted to validate the Hypothesis 1: **Most of the family businesses greatly underestimate the management succession process** across the part 1 and 2 of the survey and validate also the Hypothesis 2: **Some factors are decisive for successfully achieve a management succession in a family business** throughout the last part of the survey. This thesis is at the same time intended to the incumbent leaders and future leaders and designated the succession as a process in which the stakeholders must be all involved and invested in succession planning and also in the process itself through key success factors in order to succeed at the the biggest long-term challenge that most family businesses face. This work project underlines the necessity to start as soon as possible the succession process with a clear succession planning and accentuate the importance of family unity in the succession process and the transmission of values through generations of leaders and the fact to execute the process with a real accompaniment and a smooth transfer of power.

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